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Soviet strength in oil, uranium: CIA debate, and a N. Africa deal

Will U.S.S.R. oil growth dip?

By John Dillin
Staff correspondent of The Christian Science Monitor

Washington

West European intelligence agencies – in sharp disagreement with the CIA – project rising oil production in the Soviet Union for another decade.

The Europeans also expect the Soviet economy to expand at faster rates than predicted by the Central Intelligence Agency, with growth sufficient to pay for higher military spending and a modest increase in consumer goods.

A new study of West European views, compiled by the Joint Economic Committee of Congress, adds further doubts about the CIA's widely publicized, gloomy outlook for world oil supplies and the Soviet economy.

The CIA indicated last year that a falloff in Soviet oil output could force the Soviets, who are currently self-sufficient in petroleum, to begin buying Mideast oil. The impact on world oil prices, and the Soviet economy, could be serious.

President Carter has relied in part on the CIA's projection of Soviet oil production to justify the need for a get-rough energy program in the United States. But a number of private oil authorities have expressed reservations about White House predictions of an imminent world oil squeeze.

Soviet oil output soared from under 3 million barrels a day in 1960 to about 11 million barrels a day in 1977. Thus the CIA report issued last year was startling: "Soviet oil production will soon peak, possibly as early as 1978, and certainly not later than the early 1980s."

Further, the CIA calculated that once production peaks, it could "fall sharply." By 1985 production could be below 8 million barrels a day, or about equal to current U.S. output.

Europeans view all of this with skepticism. They charge CIA analysts with making a "worst case" prediction which presumes that none of the Soviets' serious problems will be solved.

The European analysts, primarily West German, British, Swedish, and French, say that Soviet production should continue rising throughout the 1980s. One European government study shows production could reach 13.5 million barrels a day by 1985, or at least 35 percent higher than the CIA's most optimistic projection.

Such conclusions by European experts rest on several factors:

1. The Soviets have oil reserves second only to Saudia Arabia.
2. In recent years, Soviet oil output has pushed ahead rapidly.
3. Oil and gas pipeline construction has surged from 5,100 miles of trunk line in 1976 to 10,000 miles in 1977.
4. Problems with oil-field technology can be overcome with help from the West.
5. Past history indicates that output does not drop sharply after peaking, but usually enters a plateau phase.
6. Soviet hard-currency earnings through the sale of oil are so important that any threat to production will get top-level attention.
7. Conservation is easier in the Soviet Union where there are few automobiles.

Expanding its oil production should enable the Soviets to maintain a respectable growth rate in the coming decade, Europeans say.

The CIA has predicted a slump in Soviet economic growth, which averaged 6 percent in the 1950s, 5 percent in the 1960s, but slowed to 3.8 percent in the 1971-75 period as the economy matured.

That could drop as low as 2 percent in the 1981-85 period – if the oil dries up, CIA says.

Europeans don't differ sharply with the CIA on this, but see the Soviets overcoming most problems and maintaining a growth rate of between 3 and 4 percent in the 1980s. The biggest difference here lies in the CIA's conviction that oil shortages will hurt the Soviet economy.

Although some time has passed since their report was issued, CIA sources say they stand firmly behind their conclusions.

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